

CENTRAL INTELLIGENCE GROUP
NEW WAR DEPARTMENT BUILDING
21st and VIRGINIA AVENUE, N. W.

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25 November 1946.

SUBJECT : Secret Memorandum on the Economic Clauses of
the Rumanian Armistice Convention

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1. The attached comprises the full text of a secret memorandum on the economic clauses of the Rumanian Armistice convention which the Rumanian delegation prepared and was to submit to the Paris Peace Conference Committee on 10 September. [redacted]
[redacted] randum was withheld at the request of the Soviet delegate Vishinsky upon a promise of a revision of the Armistice by mutual agreement.

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Attachment - 1 (11 pages)

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SECRET/CONTROL

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For the fulfilment of the Armistice Convention of September 12th, 1944, Rumania has mobilized all the resources of her national economy; all stocks of goods, the whole productive capacity, the means of communication with their equipment and all the financial resources were made available for the meticulous fulfilment of the clauses.

At the same time, Rumania made an important economic and financial effort for the upkeep of her first line troops which, alongside the Soviet Army and with heavy human losses have contributed - within the limits of their possibilities - to the common victory.

Rumania's efforts for carrying out the obligations arising out of the Armistice Convention, were appreciated by the Soviet Government which recognized their loyal implementation.

Rumania's economic and financial effort between the 23 August 1944 and the 30 July 1946 amounts to 1 352 412 900 dollars (1) which:

- 1 050 006 852 represent the economic and financial effort for the implementation of the clauses of the Armistice Convention, of the Conventions of September 11th 1945 of Moscow, the upkeep of the Soviet troops and other services or contributions demanded by the Soviet High Command;
- 352 406 048 represent the upkeep of the Rumanian combattant army.

The sum of 1 050 million dollars is made up of the following items:

- The upkeep of the Soviet armies until the 1st July 1945 and of Allied Control Commission until the 30 June 1946 (art. 10) 206 372 200
- The upkeep of the Soviet troops between the 1st July 1945 and June 30th 1946 (Annex I) 116 566 800
- Maintenance and materials delivered to the Soviet troops without due formalities (Annex I) 305 368 538
- Work on communications 12 241 818
- Rumanian war material delivered to the Soviet armies 123 905 890
- Repair of Soviet war material and of captured German war material 2 272 440
- Payment of reparations until the 30th June 1946, at 1944 prices (art. 11) (Annex II) 105 019 800
- Restitution of Soviet goods:
 - Goods restituted until Oct. 1st 1945 at FOB prices, till June 1945, amount being: 153 313 392
 - Deliveries according to the Moscow Convention, prices calculated for delivery at the factory, without taxes, at March 1945 prices: 20 867 203

(1) The sums are expressed in dollars because in lei they could not give any useful indication due to the depreciation of the currency.

- Reparations of Soviet ships under Art. 12 of the Armistice Convention (Annex 3) 444 727 174 625 322
- Reestablishment of United Nations within their pre-war rights (Article 13) 83 699
- Various:
 - Repatriation of Soviet citizens in Rumania or in transit through Rumania; internment of enemy subjects; administration of enemy property 3 550 400

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Certain deliveries having been demanded by the Allied Control Commission in Bucharest, the Rumanian Government was of the opinion that the fulfilment of these demands could not be taken to follow from the conditions of the Armistice Convention.

But considering that the waging and the winning of the war were the paramount aims, the Rumanian government satisfied - within the limits of its economic and financial resources - all the demands concerning deliveries, informing at the same time the Allied Control Commission that, as the execution of these obligations did not result from the Armistice Convention, their implementation should have to be considered as outside the scope of this Convention.

Annexes I, II, III and IV deal with the problems raised by the implementations of the Armistice Convention and of the Convention signed at Moscow on September 11th 1945.

Of the 1,050 million dollars paid out within the Armistice - 571 million dollars represent deliveries of goods and maintenance which in the opinion of the Rumanian government were made outside the obligations deriving from the Armistice Convention.

This sum may be divided up as follows:

- Maintenance of Soviet troops after the conclusion of the war effort (fixed at July 1st 1945) 117,000,000.
- Goods and maintenance seized by the Soviet troops: 305,000,000.
- Goods and equipment belong to the Rumanian Army and handed over to the Soviet troops: 124,000,000.
- The difference arising from the delivery on account of war reparations having been made at 1938 prices: 25,000,000.

To which must be added:

- The value of the Rumanian Navy and Merchant Fleet, taken into Soviet waters after August 23rd 1944 (Annex 4).
- The difference arising from the interpretation of the Moscow Convention concerning Art. 12 which, through price juggling and a method of calculation other than that used by the Rumanian authorities concerning the total value of the goods to be restituted - increases that total 2.5 times.

- The value of certain goods belonging to the Rumanian citizens living abroad and which were blocked in accordance with Art. 8 of the Armistice Convention were thereupon seized by the Soviet authorities.

The sum of 571 million dollars does not include the value of the equipment delivered and other repair of war trophies undertaken while the war was in progress, nor of the outlays necessitated by the transit of Soviet citizens through Rumania, and who were being repatriated from other countries, nor of other services and deliveries effected on the demand of the Soviet authorities and whose execution was made - in the opinion of the Rumanian Government - outside the obligations arising from the context of the Armistice Convention.

Maintenance, goods and services delivered to the Soviet Army

According to Article I of the Armistice Convention, Rumania entered the war against Germany and Hungary as from the 24 August 1944 at 4 a.m.

The Rumanian military effort, in joint operations with the Soviet troops, has been completed with economic and financial efforts in accordance with the dispositions of Article 10 of the Armistice Convention.

On the basis of this article, Rumania ensured to the Allied High Command the use on her territory of industrial and transport enterprises, of means of communication, of power generating stations, of enterprises in installations or public utility, and has put at the disposal of the war effort all the maintenance and goods demanded by the Allied High Command.

The economic and financial effort made by Rumania between 12 September 1944 and 30 June 1946 under Article 10 of the Armistice Convention amounts to 324 million dollars.

The size of this effort may be better judged if the fact is taken into consideration that the deliveries during that same period on account of war reparations amounted to 80 million dollars, that is less than one quarter of the deliveries made to the Soviet Union.

And even this does not include the deliveries of foodstuffs and goods made outside those planned on a three monthly basis; according to an approximate estimate, these deliveries amount to 305 million dollars.

Taking into consideration that the deliveries made under Art. 10 are part of the war effort, they should have ceased with the end of hostilities.

The Rumanian Government requested therefore - through the memorandums No. 18,948 of June 6, 1945; 26,546 of September 3rd 1945; and on March 12th 1946 - that the carrying out of Art. 10 should be linked to the upkeep of the Allied High Command and of the Allied Control Commission.

Since July 1st 1945 - when the last three monthly plan in time of active war effort concerning the maintenance in goods to be delivered to the Soviet troops came to an end - Rumania has continued to supply the maintenance and goods for the Soviet troops stationed on her territory.

The stationing of Soviet troops, especially after the end of active warfare, is not foreseen by the Armistice Convention and remain therefore outside its scope.

The end of active warfare should therefore result in a limitation, until the conclusion of Peace, of the scope of Article 10 of the Armistice Convention to the covering of the outlays incurred by the Allied High Command and the Allied Control Commission.

But under the present circumstances, the end of active warfare did not coincide for Rumania with the end of her economic and financial effort.

ANNEX I

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Thus, between July 1st 1945 and June 30th 1946, maintenance, goods, and services were made available for the use of the Soviet troops stationed in Rumania to the value of 116.5 million dollars as compared to 206.3 million dollars for the 12 September 1944 - 1st July 1945 period.

Of course, if the implementation of Article 10 in the manner shown above ought to have ceased as from July 1945, the disposition of Article 3 and of annex B concerning it should have continued to be applied until the signature of the Peace Treaty, ensuring the transit of Soviet troops through Rumania.

The Rumanian Government therefore requested that:

- a) Article 10 of the Armistice Convention should be limited as from July 1st 1945 - to the payments necessary for the upkeep of the Allied High Command and the Allied Control Commission.
- b) The crediting of the sums paid since July 1st 1945 over and above those arising from the obligations mentioned above under a) to the account of the other obligations arising out of the Armistice Convention - reparations, restitutions, etc - because the obligation of the upkeep of the Soviet troops stationed in Rumania is not foreseen by the Armistice Convention.
- c) The application of Art. 3 and of annex B to art. 3 for the duration of the Armistice, within the limits of their dispositions, for ensuring the movement of Soviet troops in transit through Rumania.
- d) The taking into consideration of the planless requisitions of maintenance and goods should be credited to the account of the other obligations under the Armistice Convention (art. 11 and 12).

ANNEX II

WAR REPARATIONS

Article 11 of the Armistice Convention has fixed the total of Rumania's war reparations to the USSR at 300 million USA dollars.

Art. 3 of the Convention of January 16th, 1945, referring to the execution of article 11 of the Armistice Convention, fixed, on demand of the Allied Control Commission, that the sum of the goods to be delivered would be in USA dollars, in conformity with the world prices of 1938, with a rise of 15% on these prices for machinery, rolling stock, and ships, and 10% for other products.

Article 11 of the Armistice Convention does not provide for the consolidation of the obligation in dollars of 1938 prices, but only states in the Annex that this calculation of goods to be delivered as war reparations will not be taken straight from the sources, the parity of American dollars as its gold parity on the day of the signature of the Armistice Convention, i.e. 35 dollars for one ounce of fine gold will be taken as the basis.

According to the world market prices in dollars existing in 1938, the sum of goods to be finally delivered as war reparations and their quantity has risen by 38%, increasing to 399 million dollars instead of the 300 million which were provided for by Article 11 of the Armistice Convention of September 12, 1944.

ANNEX III

The Restitution of Soviet Goods

By Art. 12 of the Armistice Convention, Rumanian Government undertook to restitute to the Soviet Union all the goods and equipment taken from her territory.

The Rumanian Government, by its Memorandum No. 781 of June 2nd, 1945, and No. 26546 of September 3rd, 1945,

- taking into consideration the difficulties implied by the restitution of these goods (correction, reparation, etc.)
- and having in view the imported economic and financial effort resulting from these operations ~~from~~^{for} Rumania and this at a moment when their execution was made at the same time as other deliveries in connection with war reparations and the maintenance of Soviet troops, has requested the Soviet Government to make a lump agreement for the execution of Art. 12 of the Armistice Convention.

The value of the goods identified as having been removed from Soviet territory, totals 698 thousand million lei, at the June 2nd 1945 prices, that this total including also - according to the interpretation of the Allied Control Commission that the perishable goods as well as those destroyed by an act of war should be restituted - those goods which did not any more exist at the time of the signature of the Armistice.

Over and above this sum, a lump sum of 250 thousand million lei was put forward to cover the goods whose removal to Rumania would eventually be discovered later as well as for the transport cost to the USSR.

Hence, a total of 948,000 million lei.

But having in view that Rumania has contributed economically to the war effort, besides the maintenance and equipment of the Soviet troops under Art. 11, by important deliveries under the guise of the seizing of goods and maintenance over and above those planned, the Rumanian Government requested the USSR government that the value of these should be deducted from the total of the goods to be restituted, and the remainder should be spread out in three yearly installments.

By the Moscow Convention of September 11th 1945, the following decisions were taken:

- I) The Government of the USSR acknowledges that the sum of 948,000 million lei indicated by the Rumanian Government at the April 1st 1945 prices represents the final total of the value of the Soviet goods to be restituted under Article 12 of the Armistice Convention.
- II) After September 11th 1945, goods to the value of 348 thousand million lei have been restituted.
- III) The Government of the USSR agrees to reduce the amount of the goods still to be restituted from 600 thousand million lei to 300 thousand million lei, to be paid in merchandise in three annual installments. (Later on, the payments were spread over 6 yearly installments.)

The signature of the Moscow Convention brought about the closing of the chapter concerning obligations under art. 12, to the obligation of restitution, there being substituted an undertaking on behalf of Rumania to deliver new goods to the value of 300,000 million lei.

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Two difficulties of principle arose in the implementation of September 11th 1945 Convention:-

A) The demand of the Allied Control Commission to determine the value of the goods restituted until September 11th 1945 because the list of the rescued goods whose value is included in the total of 348,000 million lei has not been annexed to the above mentioned Convention.

With this aim in view, the Allied Control Commission demanded the establishment of a mixed experts Commission. The Rumanian Government put before the Allied Control Commission its point of view concerning the interpretation of the above mentioned Convention and namely:

a) Principally:

The Convention mentions expressly that until that date goods to the value of 348,000 million lei had been restituted.

The sum of 348,000 million lei had been indicated by the government of the USSR and no lists of goods were taken into consideration when it had been fixed, the sum representing a lump sum and not a bookkeeping calculation.

The 11th September 1945 Convention replaced the obligations deriving from the execution of Art. 12 of the Armistice Convention which ceased to be valid and therefore there is no need to make any further evaluation of the totals acknowledged by that Convention.

The determination of the value of these goods seems to be impossible because:

- The goods are on USSR territory.
- The deliveries certificates contain summary elements which do not allow of a technical valuation of the goods.
- A very great variety of the goods - over 15,000 kinds.

The Allied Control Commission keeping to its point of view the Rumanian Government established the requested experts Commission.

This mixed expert Commission after working for 10 months came to very contradictory results.

Thus:

- The Rumanian expert Commission determined the value of the goods restituted or on the point of being restituted up to October 1st 1945 (because, at the request of the Allied Control Commission, the restitutions continued also after September 11th 1945) to a total of 548.6 thousand million lei and
- The Soviet experts Commission to 246.9 thousand million lei which implies
- A difference of 299.6 thousand million lei deriving from quantitative differences (164.8 thousand million lei) and price differences (134.8 thousand million lei).

The price differences are due to the fact that the Soviet experts Commission was of the opinion that the goods should be calculated at the prices at the factory gates. It must be mentioned that the total of 948 thousand million lei indicated by the Rumanian government and accepted by the Soviet Government was calculated at FOB prices

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and tax free, duty free at the frontier so that the same kind of calculation should be followed also for the determination of a total of 348 thousand million lei which is a complement part of the grand total of 948 thousand million lei.

By the interpretation given to art. 1 of the Moscow Convention of September 11th 1945 and taking into consideration the fact that the estimate of the Soviet expert Commission it follows that:

- not only has Roumania not restituted goods to the value of 348 thousand million lei as has been expressly specified by the Convention, but for the completion of these figures, neither the restituted goods nor those prepared to be restituted after September 11th 1945. It is necessary to deliver goods to the approximate value of 100 billion lei, at the original prices, prior to April 1st, 1945.

B) The second difficulty in the execution of the Convention of September 11, 1945, is the interpretation of the term, "prices existing on April 1st 1945".

The Allied Control Commission asked that the value of the goods to be delivered to the USSR should be calculated:

- by the prices anterior to April 1st 1945, i.e. on March 31st, 1945, (these prices rose effectively due to the economic legislation of May 3rd 1945, with retro-active effect as from April 1st, 1945) and

- with the exclusion of the transports and customs taxes.

We mention that the sum indicated by the Rumanian government as representing the total of restituted goods was calculated at the prices existing on June 2nd 1945, FOB or franco-frontier, that is to say, the transport expenses and the customs taxes inclusive.

The sum of 300 billion lei, being a component of the sum of 948 billion lei, the adoption of another method of calculation can but lead to the modification of the initial debt, which could not correspond to the situation in view at the conclusion of the Convention of September 1945.

In the interpretation given by the Allied Control Commission, it is necessary, for the fulfilment of the obligations resulting from the Moscow agreement, to have a volume of goods twice and a half again of that calculated by the Rumanian interpretation.

ANNEX IV

Situation of the military and commercial fleet

I - WARSHIPS

On August 23, 1944, the Rumanian war fleet comprised:

- 34 war units,
- 98 auxiliary vessels.

From the 23rd August 1944, the Rumanian war fleet - as the entire army - took action against Germany and her satellites, accomplishing the following feats:

- On the Danube: she prevented the passage of a German division, by capturing and destroying several German vessels. On that occasion, the Commander of the Soviet riparian forces of Ismail, Admiral OKTIABRITSKI, made it known that the Rumanian war ships would continue to fight with their own equipment and under their own flags, under the orders of the Soviet Command.

In these operations, about 400 enemy ships were captured; these ships were afterwards delivered to the Soviet Command according to article 7 of the Armistice Convention.

- On the sea: a close collaboration was assured with the Soviet fleet, and the destruction of the port and town of Constanza was prevented.

In view of the best coordination, one Soviet officer embarked on each Rumanian ship.

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On the night of September 4/5 1944, the Rumanian crews were disembarked, and the vessels taken to Soviet ports.

On September 11th, 1945, by the Convention signed at Moscow, 18 units were restored to Rumania, specifying, for the first time, in the title of that Convention, that it was a question of the vessels considered as war-ships (After April 24, 1946, the restitution was decided of training-ships / "Mircea" /).

To clarify this problem, the juridical and factual position of the Rumanian war-fleet was exposed to the Allied Control Commission in Bucharest.

From the juridical point of view, the situation of the Rumanian fleet was established by Art. 1 of the Armistice Convention, which foresees that "from August 24 at 4 a.m., Rumania ceased completely the military operations against the USSR "on all theatres of war", left the war against the United Nations", "entered into the war and would wage war alongside the United Nations"; "the war fleet having to take action under the general command of the Allied High Command".

A capture being a fact of war, leading to the enemy's disarmament, it can only be practised during the war. The Rumanian fleet was captured on September 5th, 1944, a date on which Rumania not only had ceased waging war against the United Nations, but from August 23, 1944, had fought alongside the Soviet Army and against Germany and Hungary.

II - MERCHANT NAVY

From August 24, 1944, all Rumanian merchant vessels were placed at the disposal of the Soviet Command.

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tically seized by the Soviet authorities.

To ensure reparian transport, in conformity with the obligations resulting from art. 3 and 10 of the Armistice Convention, to guarantee the free movement of the Allied forces on Rumanian territory, the Rumanian Government intervened to the Allied Control Commission, asking for the restitution of these vessels.

As a result of these interventions, the Allied Control Commission, by the Note No. 160 of 20.IX.1944, decided on the restitution of these vessels.

Until the date of March 1, 1945, 101 ships out of a total of 279 were restituted.

After the date of March 1st, 1945, not only did the restitution of the vessels cease, but the Soviet High Command retook the vessels which had been restituted up to that date.

By the Convention of Moscow on September 11th, 1945, the merchant ships were declared captured - in the same conditions as the WAR FLEET, for the first time, and this one year after the conclusion of the Armistice Convention.

The technical vessels, destined for the upkeep of Rumanian Danubian ports and sea ports, are in the same situation.

By the Moscow Convention 23 units from the merchant and technical fleets were restituted.

On July 1st, 1946, the situation of the merchant and technical fleets is as follows:

Commercial FleetTechnical Fleet

Situated in the DVTU.....29

Situated in Soviet waters
and not yet restituted.....66

Entered into SOVROM.....67

In reparation.....39
.....38

Restored to the owners.....60
299units 69units

60 + the chantiers navals mobile No. 3
with all installations.

Compared to.....608units existing on August 23, 1944, of which:

- Remained in German waters.....66

- Sunk.....60

- Delivered according to Art.
11 as war reparations.....183

- Specified above.....299

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